



majority vote of the Management Committee. St. Tammany Parish is important to the development of SJI's cellular service. To allow the operation to be delegated to another party would not be in SJI's best interest. Under no circumstances would SJI Cellular allow any entity other than SJI Cellular to construct, operate or manage the St. Tammany Parish system. In time, it is SJI's plan for St. Tammany Parish to become an integral part the SJI family of cellular systems.

In the three years since USCC purchased its interest in Star, SJI Cellular has requested support and assistance from USCC in prosecuting La Star's application. It has been my understanding that Star's 49 percent joint venture voting interest in La Star, gave Star and its parent companies the right to assist SJI Cellular in prosecuting La Star's application. In 1987, when La Star amended its application to update information provided in 1983, USCC assisted by preparing a budget model which was used in calculating La Star's construction and first year operating costs. At the time, the Houma-Thibodaux cellular system was not yet operational, and USCC had real world operating numbers and agreed to share those with La Star. Any numbers that La Star could have produced without the help of USCC would have



been less accurate.<sup>1</sup> SJI Cellular discussed the matter with La Star's counsel and the Management Committee agreed to request that USCC produce a budget model. I reviewed the work in progress and reviewed the final exhibit before it was submitted to the FCC. While USCC worked on preparing the budget model, I was responsible for each and every exhibit in the 1987 amendment. No single exhibit was prepared without my prior approval. No document was submitted to the FCC unless I had an opportunity to review it and check it for accuracy.

La Star also amended its financial showing in 1987. The showing was based on a commitment from TDS supported by a letter from Harris Bank. The financial commitment from American Security Bank submitted in La Star's 1983 application was no longer available. In addition to negotiating a commitment from TDS, I contacted Jackson Bank of Mississippi and First Interstate Bank in Thibodaux, Louisiana. The financing package available from TDS was considerably better than that offered by Jackson Bank or First Interstate Bank. I believed it was in the best interest of La Star to use available financing with the best terms.

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<sup>1</sup> Even with real world numbers supporting its application, NOCGSA filed a Petition to Deny La Star's application and amendment claiming that La Star's proposed equipment costs and operating expenses were not realistic.



The fact that TDS has promised to supply the necessary financing for construction and first year operating expenses of the St. Tammany Parish system, does not give TDS any right to control or operate the St. Tammany Parish system. First, neither TDS nor USCC has ever tried to exercise control as a result of TDS's commitment of financing. Second, should such an event occur, SJI and its affiliate companies have sufficient financial resources to acquire financing on short notice from another source.

I am aware that USCC paid for attorney's fees, engineering fees, consulting fees and renewals of cell site options, pursuant to the Joint Venture Agreement, and that an employee at USCC executed some of the extensions of cell site option agreements at La Star's counsel's request. TDS also prepared La Star's 1988 and 1989 tax returns at SJI Cellular's request. I was aware of all of the actions at the times they occurred. They give USCC or TDS no right to control the affairs of La Star. I am also aware that, in response to a Petition to Deny La Star's application filed by New Orleans CGSA, Inc., an employee of USCC reviewed La Star's proposed equipment costs at the request of La Star's counsel, and found them to be reasonable and that La Star submitted a Declaration to the FCC to that effect.



USCC, through Star, is a forty-nine percent joint venturer in La Star's application. It has a right to be actively involved. Pursuant to the terms of the Joint Venture Agreement, it had a legal duty to pay the costs of filing and prosecuting La Star's application. Pursuant to the Joint Venture Agreement, it also has a right and obligation to participate in the prosecution of La Star's application. USCC's actions were not taken unilaterally, they were taken with the knowledge and consent of SJI Cellular.

USCC has never taken any action on behalf of La Star that I was not aware of or that I did not fully approve in advance. Actions taken by USCC have been taken because I, individually or through counsel, have requested USCC's assistance.

The following is a list of services that I or SJI Cellular have provided on behalf of La Star. This list is not exhaustive but provides a basis for SJI Cellular's statements that, at all times, it was in control of La Star.

1. I negotiated with William Erdman of Maxcell the basic terms and conditions of the La Star Joint Venture Agreement.

2. At my insistence, the initial application was designed as a fully developed six-cell system.

3. I participated in the preparation of the initial La Star application in 1983. In that application, I was proposed as the



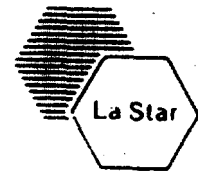
system's General Manager. (See Attachment D) I also became Chairman of La Star's Management Committee. I reviewed each of the application's exhibits and executed the FCC Form 401.

4. In 1984, I directed the filing of La Star's application for review to the FCC of the dismissal of its application.

5. In 1985, I directed the filing of La Star's appeal of the dismissal of its application to the United States Court of Appeals for the District of Columbia.

6. In February 1987, after the oral argument but before the Court of Appeals issued its decision, I traveled to New Orleans to meet with the original members of the Management Committee. It was clear to us at that time, that the Court was going to rule in our favor, and we wanted to have a strategy session to decide how to proceed. This meeting took place six months before USCC acquired its interest in La Star.

7. In 1987, both prior and subsequent to the time USCC acquired its interest in La Star, I negotiated with representatives of NOCGSA concerning a potential settlement of the La Star proceeding. Specifically, I spoke with John Cossart and Roy Etheridge of BellSouth Mobility. Neither Mr. Cossart nor Mr. Etheridge were confused as to who I was, who I represented, or how La Star conducted its business.



8. In 1987, I traveled to Chicago to participate in a meeting of the Management Committee. At that time, it was critical to me that our new partner was in agreement with our goals and would not hinder us in pursuing them. I left Chicago satisfied that our position as La Star's majority venturer would be respected by USCC.

9. In 1987, I directed counsel to file an application for review of the grant of special temporary authority to NOCGSA. I approved subsequent oppositions to the Commission's continued extension of that authority.

10. In 1987, I directed counsel to file with the Commission a request for joint interim operating authority.

11. In 1987, I was advised that NOCGSA had filed a major amendment seeking to expand its CGSA in St. Tammany Parish. I authorized La Star's counsel to file a petition to deny.

12. In 1987, I directed the preparation of La Star's 1987 amendment. I reviewed and approved each exhibit in that amendment, and executed the amendment. Specifically, I negotiated with two banks and TDS concerning financing. I reviewed and approved the financing offered by TDS. Again, I was proposed as the system's General Manager. (See Attachment E)

13. I approved the filing of a petition to deny in response to NOCGSA's 1987 amendment.



14. I was advised of the fact that NOCGSA had filed a petition to deny La Star's application and amendment. I directed counsel to prepare and file an appropriate reply.

15. In 1988, I directed counsel to file La Star's application for interim operating authority. In preparing the application, I participated in various strategy sessions which included such decisions as cellular system design, financing, the possible implementation of portable cells for the quick deployment of an interim system, and the possibility of switch sharing with a neighboring cellular system. In short, I provided such assistance as I could, giving direction where I was able.

16. In 1988, I approved a petition to the Court of Appeals asking it to issue a writ of mandamus to order the Commission to act on La Star's pending application.

17. In 1988, prior to a settlement meeting between La Star's attorney and John Cossart and Roy Etheridge of NOCGSA, I instructed La Star's attorney with respect to settlement policy. On that occasion, there was no formal meeting or conference of the Management Committee, however, SJI Cellular and Star were able to present a united front. No meeting was necessary. A simple telephone call was sufficient.

18. In 1989, I participated in formulating a settlement strategy to present to NOCGSA. I participated in a telephone



conference among the members of the Management Committee, representing SJI Cellular and Star. I, along with my brother, James P. Brady, and Sinclair H. Crenshaw, traveled to Washington to meet with John Cossart, Roy Etheridge and members of the FCC's staff for the purpose of discussing settlement. USCC did not send any member of the Management Committee but rather chose to send its corporate attorney, Michael Hron.

19. After the settlement meeting in the offices of the FCC, I also had individual telephone discussions and in-person meetings with Roy Etheridge. Mr. Etheridge was not confused as to how La Star conducted its business or who had authority to make decisions.

20. In 1989, I approved the Petition to Deny the BellSouth and LIN merger. I was advised by La Star's counsel that such a merger would constitute a transfer of control of NOCGSA's St. Tammany Parish application.

21. Recently, after the Commission issued the Order Designation Applications for Hearing, I made the initial decision to continue to prosecute La Star's application for the FCC authorization for the cellular system in St. Tammany Parish. The decision to continue has always been mine.

22. As previously stated, I participated in a telephone conference concerning the amendment of La Star's Joint Venture

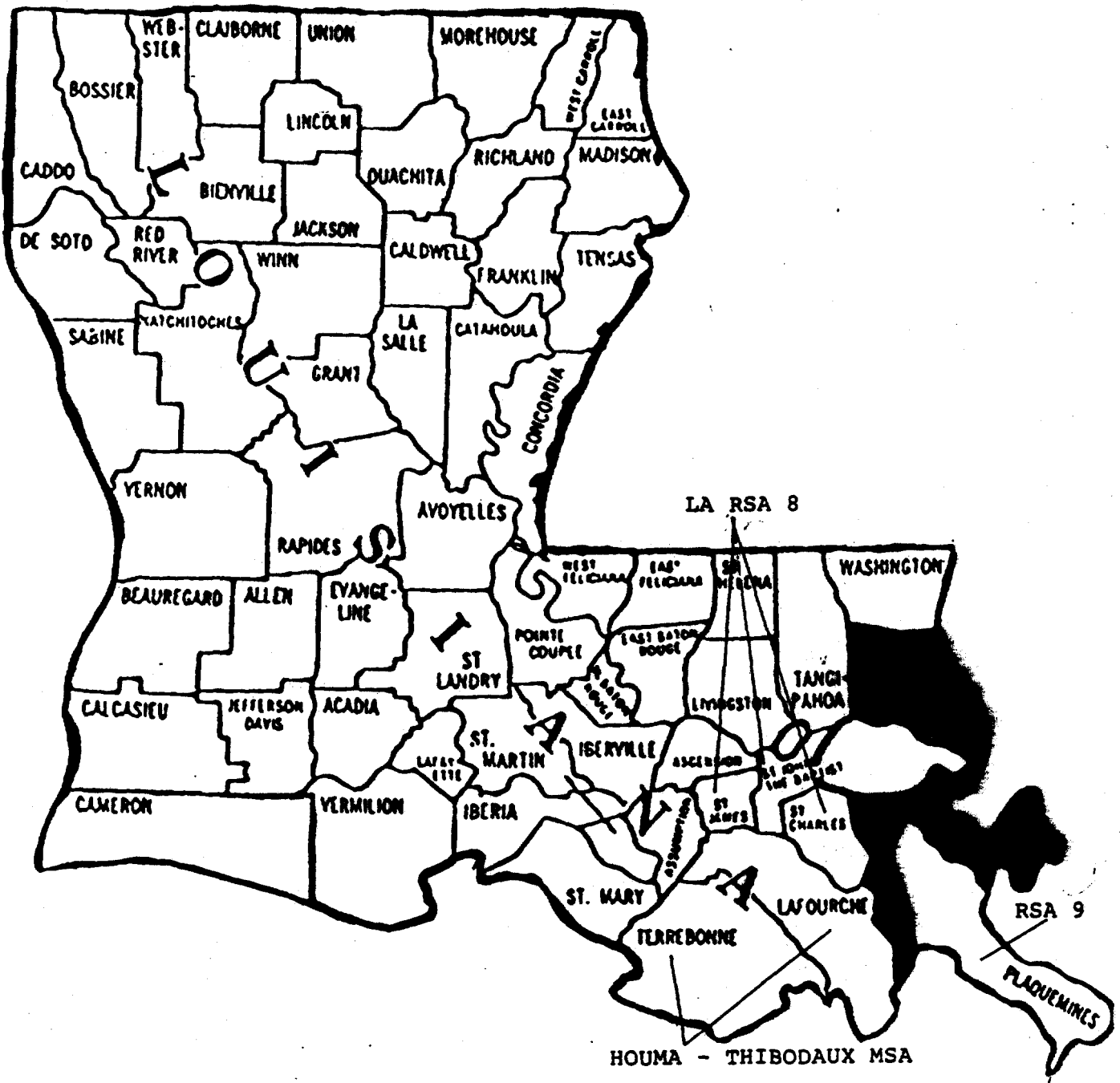




Agreement. SJI Cellular has paid fifty-one percent of La Star's expenses since May 31, 1990.

As is evidenced by La Star's activities, to date, La Star has needed to do little more than litigate to enforce its right to maintain its applicant status before the FCC. At each juncture, I approved the filing or directed counsel to file appropriate pleadings. Counsel took no action until SJI Cellular approved that action. The prosecution of La Star's application from its inception has been under the control of SJI Cellular. There has not been a single instance in which any action has been taken without my knowledge and approval or against my wishes.

Attachment A



Yellow- SJI, Inc.  
 Green - La Star  
 Red - NOCGSA

"Majority Vote" means the affirmative vote of the Parties whose then ownership interests aggregate a majority or more of the total ownership interests in the Company.

"Party" or "Partner" means a party to this Joint Venture Agreement or any Person who may subsequently become a Party hereto by virtue of any properly executed amendment to the Agreement.

"Partnership Act" means the Uniform Partnership Act as in force in the State of California.

"Person" means any individual, partnership, corporation, trust or other entity.

"Pro Rata" means in the proportion which the respective Partnership Ownership Interest of any Partner entitled to participate in any action bears to the sum of the Partnership Ownership Interests of all such Partners.

"Referee" means any person selected by the Management Committee pursuant to Section 11.1(b) of this Agreement to determine indemnification claims under Section 11.1(a).

## ARTICLE II

### Organizational Matters

2.1 Name and Principal Place of Business. The Name of the Joint Venture shall be La Star Cellular Telephone Company. The principal place of business and the principal office of the Company shall be in Larose, Louisiana, or such other place as the Joint Venture Partners may determine from time to time.

2.2 Purposes. The purpose and scope of the Joint Venture shall be to design, develop, construct, own, manage, operate and maintain, solely or in conjunction with others, a Cellular System in the Service Area, to market the service thereof on both

a retail and a resale basis under tariff, where so required, including without implied limitation, selling, leasing or otherwise offering to the public terminal equipment, and to engage in activities necessary thereto. It is contemplated that the Company will perform its own marketing with respect to such service and will sell cellular service to others at a discount for resale to the public or at bulk rates, and that any Party may purchase such service for resale to the public on terms no more favorable than those offered to others, provided however that a Party may purchase such service for resale pursuant to procedures and conditions which conform to all federal laws.

2.3 Ownership. The Company shall be owned 51% by Telephone and 49% by Star. For all purposes, the 49% ownership of Star shall not be attributable to Star's respective ownership interests, such being recognized as a single entity.

2.4 Term. The Joint Venture shall commence as of the date of this Agreement and shall continue until terminated in accordance with the provisions hereof.

2.5 Status of Company. The Joint Venture Partners intend that the Company qualify as a "common carrier also engaged directly or indirectly in the business of affording public landline message telephone service" for the purposes of filing an application to the FCC for one or more Cellular Systems. The Company shall take all necessary steps to so qualify.

### ARTICLE III

#### Interests of the Partners

3.1 Title to Property. Title to all property required for operation of this Joint Venture Agreement and the System anticipated hereunder, whether real or personal and wherever located, shall be vested in the Company.

3.2 Capital Accounts. An individual capital account ("Capital Account") shall be maintained for each Partner, which shall consist of such Partner's capital contributions, if any, adjusted to reflect the addition of net profits of the Company allocated to such Partner pursuant to Section 3.3, and minus (i) net losses of the Company allo-

cated to such Partner pursuant to Section 3.3, and (ii) all distributions (whether in cash or in kind) made by the Company to such Partner pursuant to Section 3.4 hereof; provided, however that any contributions made by a Partner which are identified other than as such shall constitute a non-interest bearing loan due and payable upon ninety (90) days written notice from that Partner to the Company and shall not be construed to constitute an addition to its respective Capital Account.

**3.3 Profits, Losses and Credits.** All of the net profit or loss of the Company shall be determined in accordance with generally accepted accounting principles consistently applied. Net profit and net loss shall be allocated on a quarterly basis to the Partners' respective Capital Accounts in accordance with their respective ownership interests as stated in Section 2.3. Profits and losses, and items of tax credit and deduction, for Federal and state income tax purposes shall be recognized by the Parties in a manner consistent with the allocations made for Capital Account purposes pursuant to this Section.

**3.4 Distribution.** At such time as the Company shows a Cumulative Net Profit, distributions to the Parties will be made in accordance with the ratio of allocation of profit stated in Section 3.3 above if deemed appropriate by the Management Committee. Distributions pursuant to this Section shall be made not less frequently than annually; however, no Partner shall be required to make a capital contribution to provide the funds necessary to make such distribution, nor shall the Company be required to borrow money for such purposes, and distributions shall not be made unless they are consistent with the present and foreseeable cash flow requirements of the Company as determined by the Management Committee. Should a Partner decline to draw its distribution in whole or in part, the undistributed portion shall be treated as a non-interest bearing loan due and payable to the Partner upon ninety (90) days written notice to the Company and not as an addition to the respective Capital Account.

#### ARTICLE IV

##### Management of the Company

4.1 Management Committee. Except as otherwise expressly provided herein, complete and exclusive power to direct and control the Company is delegated to a Management Committee. The Management Committee will consist of not more than three representatives appointed by Telephone and not more than two representatives appointed by Star, to serve at the pleasure of the appointing Partner. Each representative shall be entitled to one vote in all decisions with respect to election of Chairman of the Committee and the appointment, promotion, salary or termination of officers; however votes cast upon all other decisions shall be weighted according to the Parties' respective Ownership Interests as stated in Section 2.3 above.

4.2 The Management Committee may act, pursuant to the provisions of this Agreement, through one or more managers, employees or agents. The Management Committee will move expeditiously to appoint a General Manager or to retain an appropriate entity to manage the System. Notwithstanding the provisions of Section 4.1 above, any decision with respect to appointment, compensation, or termination of such General Manager or other System management entity, shall require the vote of 80% of the members of the Management Committee. The Management Committee shall promptly establish an Engineering Subcommittee and may establish one or more additional subcommittees of its members or other representatives of the Parties and may delegate to such subcommittees such functions as it deems appropriate. Each member of a subcommittee shall be entitled to one vote upon matters delegated to the representative subcommittee. Each Party shall be entitled to at least one representative on each such subcommittee.

Meetings of the Management Committee and any subcommittee shall be held at the principal office of the Company or at such other place as may be determined by the Management Committee. Any subcommittee shall meet as required to carry out its assigned functions.

Meetings of the Management Committee or any subcommittee may be called by the Chairman or by the Parties possessing a majority interest in the Company on at least five (5) days' advance written notice to each member thereof, unless otherwise waived in writing. Such notice shall state the purpose or purposes for which such meeting is being called. The Chairman is responsible for calling meetings of the Management Committee at least once quarterly.

A meeting of the Management Committee or any subcommittee may be held by conference telephone or similar communications equipment by means of which all persons participating in the meeting can communicate with each other.

Minutes reflecting the actions of the Management Committee and all subcommittees shall be kept by a Secretary designated by the Chairman. Copies of the minutes shall be maintained at the office of the Company and shall be transmitted to all Parties and to each member of the Management Committee or subcommittee taking the action within thirty (30) days after the meeting in question.

**4.3 Actions of Management Committee and Subcommittees.** Except as otherwise expressly provided herein, all actions of the Management Committee or any subcommittee may be taken directly, or may be delegated subject to ratification by the decision of the Management Committee.

Actions of the Management Committee or any subcommittee involving any of the matters enumerated below may be taken directly, or may be delegated, only upon or pursuant to the vote of 80% of the members of the Management Committee:

- (i) the entering into of any agreement or transaction between the Company and any Partner hereto, any Affiliate of a Partner or any director, officer or employee of a Partner; provided, however, that this shall not apply to agreements or transactions for the sale of Cellular service by the Company to a Partner at retail or for resale;
- (ii) distributions in amounts other than as provided by Section 3.4;

- (iii) merger or consolidation of the Company into or with any other entity;
- (iv) acquisition of any business entity if such acquisition results in the Company's engaging indirectly in any business other than Cellular Service;
- (v) admission of a new Partner to the Joint Venture;
- (vi) selection of the Referee pursuant to Section 11.1(b);
- (vii) determination of discounts for resale of cellular services to the public or for sale at bulk rates;
- (viii) the sale, transfer, encumbrance or other conveyance of substantially all of the assets of the Joint Venture other than in connection with the acquisition of operating equipment;
- (ix) engaging in any business other than that described in Section 2.2, except to such minor extent as may arise incident to the purposes stated in such Section 2.2;
- (x) changes in the method of allocating profits and losses to the Capital Account as set forth in Section 3.2;
- (xi) modification or changes in the Agreement;
- (xii) settling, compromising, accepting any settlement or compromise, or withdrawing any litigation, application, or pleading before any local, state or federal court or agency of competent jurisdiction; or
- (xiii) sale or other transfer of all or substantially all of the cellular operating capacity of the Company or the marketing rights thereto.

In any action requiring a vote of the Partners, a Partner may require a vote to be taken by introducing a written resolution at any meeting of the Management Committee, whereupon a vote upon such resolution must be taken within forty-five (45) days. If a Partner is absent, "abstains" from voting, or otherwise fails to vote "for" or "against" any such resolution, such failure to vote will be considered a vote "for" the resolution unless, within thirty (30) days after notice is given of the original vote on the action, such Partner notifies the Secretary of the meeting in writing of a vote "against" the action.



4.4 Delegation of Authority to Managers, Employees and Agents. The Management Committee may delegate to any managers, employees and agents of the Company or to any managers, employees, and agents of Telephone such authority as the Management Committee deems necessary and appropriate for the proper and timely conduct of business of the Company consistent with the duties and limitations of the Management Committee specified herein, except that no such delegation shall circumvent the provisions of Section 4.3.

4.5 Limitation of Duties of Star. Unless otherwise authorized or permitted by the FCC; Star, its Affiliates, directors, officers or employees shall not:

- (i) enter into any agreement or transaction with the Company for the construction, management, operation, maintenance of the Company's Cellular System in the Service Area; or the marketing of the Company's Cellular System services and products at the wholesale and/or retail level;
- (ii) construct, manage, operate, or maintain the Company's Cellular System in the Service Area; or
- (iii) market the Company's Cellular System services and products.

Notwithstanding the foregoing, Star, its Affiliates, directors, officers, and employees may enter into agreements with the Company as permitted by Sections 4.3(i) hereof for the purpose of executing its duties pursuant to Sections 4.1-4.3 hereof, or for the sale, purchase transfer, encumbrance, pledge, redemption, or assignment of its interest, in whole, or in part, in the Company pursuant to Sections 6.1-6.3 hereof.

4.6 Limitation on Acts of Partners. Except for matters expressly reserved to the Partners, neither they nor any of them shall have any power to direct, control, or manage the Company except through their representatives to the Management Committee, and any such action by a Partner shall be void.

ARTICLE V  
Accounts and Reports

5.1 Fiscal Year. The fiscal year of the Company shall end on December 31 in each year or such other date as may be approved by the Management Committee.

5.2 Books, Records and Reports. The Company shall maintain proper books and accounts in accordance with generally accepted accounting principles and the provisions of the Agreement. Each Partner or its duly authorized representatives shall at all reasonable times have access to the books and accounts kept by or for the Company. Annually upon the close of the year (or as otherwise approved by the Management Committee) all such books and accounts shall be audited by the Accountants.

The Company shall mail or otherwise communicate to each Partner hereto the following reports:

- (i) Within 30 days after the end of each calendar month a monthly income statement signed by the General Manager or other appropriate officer designated by the Management Committee.
- (ii) Within 30 days after the end of each of the first three quarters of each fiscal year, a balance sheet of the Company as of the end of such quarter and a statement of income and earnings and a statement of changes in financial position for the Company for such quarter and for the year to date, setting forth in each case in comparative form the figures as of the end of and for the corresponding periods of the previous fiscal year and such other financial and operating information which may be reasonably requested by any Party. All such reports will be signed by the officer designated pursuant to subsection (i) above.
- (iii) Within 60 days after the end of each fiscal year, audited financial statements including a balance sheet of the Company as of the end of such year, including a statement of changes in financial position for the Company for such year, setting forth in each case in comparative form the figures as of the end of, and for the previous, fiscal year, together with all

necessary footnotes and the opinion of the Accountants.

- (iv) Within 60 days after the end of each fiscal year, all necessary financial and other data required by each Partner for inclusion in or preparation of its tax returns.
- (v) Within 60 days after the end of each fiscal year a statement from the Accountants certifying the accuracy of any allocations called for by this Agreement.

In addition to the Capital Accounts required by Section 3.2, there shall be established for each Partner on the books of the Partnership such other accounts as shall be deemed necessary or desirable by the Management Committee.

5.3 Right of Inspection. Each of the Parties shall also have the right at its own risk and expense to examine and inspect, at any reasonable time and for any purpose, properties and/or operations of the Company, provided that such examination or inspection shall not unreasonably interfere with the Company's operations.

## ARTICLE VI

### Transfers of Interest

6.1 Restrictions on Transfers. Except as provided herein, no Partner shall have the right to sell, transfer, encumber, or assign its interest, in whole or in part, in the Company, even to another Partner hereto. Any attempted sale, transfer, assignment or encumbrance otherwise than as permitted by this Section shall be void and of no force and effect. In the event that FCC approval of any such permitted sale, transfer, assignment or encumbrance is required, such sale, transfer, assignment or encumbrance shall not be consummated until such required FCC approval has become a Final Order and the consummation of such sale, transfer, assignment or encumbrance shall be in all respects in accordance with such FCC approval. The transferee of the interest of any Partner pursuant to the provisions of this Section 6.1 shall become a Joint Venture Partner and shall assume all of the transferor's rights, obligations, and liabilities as Partner (including all its rights, obligations and liabilities under this Agreement). In order for such transfer to become valid, the transferor shall, as a condition to any sale, transfer,

assignment or encumbrance, require the transferee by appropriate and valid written instruments to so assume such obligations and liabilities. No sale, transfer, assignment or encumbrance of the interest of any Partner shall relieve the transferring Partner of any of its obligations and liabilities hereunder; provided, however, that in the event that any Partner, pursuant to the terms of this Agreement, transfers its entire ownership interest, such Partner shall have no further liability under this Agreement for the acts, or failures to act, of the transferee of such Partner on and after the effective date of such transfer. A Partner may encumber its Partnership Interest but the secured party shall take its security interest subject to the rights of the remaining Partners to purchase the encumbered interest in accordance with Section 6.2 should the secured Party seek to enforce its security interest.

The restrictions specified in this Article shall not apply to the sale or transfer of the entire interest of a Partner to a wholly-owned subsidiary, parent or commonly controlled Affiliate of that Partner.

6.2 Right of First Refusal — Third Party Transactions. No Partner shall sell, transfer or assign its interest in the Company to a third party except after giving the other Partners a right of first refusal to acquire such interest. Any Partner desiring to transfer its interest, or any portion thereof, in accordance with Section 6.1, shall first offer such interest to the other Partners, by written notice, at the same price and upon the same terms offered by a bona fide purchaser. In the event that the price or other terms are unique to the third party transferee, the other Partners shall be entitled to match such terms or conditions with economically equivalent terms or conditions. Such written notice shall specify the interest to be conveyed, the terms and conditions on which such conveyance is proposed to be made, and the identity of such purchaser. During a period of sixty (60) days after such written notice is received, the other Partners shall have the exclusive right to purchase on a pro rata basis such interest upon the terms and conditions therein provided. Interests proposed to be sold which are not purchased by one of the Partners shall then be offered to the other Partner(s), if any, for a period of fifteen (15) days. Should such Partner or Partners elect not to acquire the interest, the terms and conditions for the sale to the bona fide purchaser may not be renegotiated or modified, without first re-offering the interest upon the modified terms and conditions to the other Partner or Partners for the periods specified above.

Thereafter, such interest may be transferred upon unanimous approval of the Partners, which approval will not be unreasonably withheld.

The closing of a transaction in which an interest is purchased by a Partner pursuant to the foregoing provisions of this Section shall be made within thirty (30) days after the purchasing Partner or Partners shall have notified the selling Partner of its decision to purchase the interest or, if approval of the FCC is required, within thirty (30) days after the release date of an order granting such approval, or, if such an order has been stayed or enjoined by a court of competent jurisdiction prior to such payment and delivery, within thirty (30) days following the date on which such stay or injunction is no longer in effect; provided, however, that if such order has not been released or if such stay or injunction is in effect, within six (6) months after the purchasing Partner or Partners shall have notified the selling Partner of its decision to purchase such interest, the purchasing Partner or Partners may terminate its or their obligation to purchase such interest upon ten (10) days written notice to the selling Partner.

**6.3 Right of First Refusal — Inter-Partner Transactions.** No Partner or its Affiliates shall acquire, whether by purchase, merger, or joint venture, directly or indirectly, any interest in any other Partner except after complying with the following procedure. In the case of a cash purchase, the acquiring Partner or its Affiliate must first offer to the remaining Partner(s) an opportunity to acquire that portion of the interest being acquired which is sufficient to result in the equalization, or as close an approximation thereto as is possible, of the Partnership Ownership Interests of the acquiring and the remaining Partner(s) at a pro rata purchase price. In the case of a non-cash transaction, such as a merger or joint venture, the remaining Partner(s) must be given an opportunity to acquire that portion of the interest being acquired which is sufficient to result in the equalization, or as close an approximation thereto as is possible, of the Partnership interest of the acquiring and the remaining Partner(s) at a pro rata purchase price determined on the basis of the reasonable economic equivalent of the non-cash consideration. The remaining Partner(s) must be given sixty (60) days' written notice of the proposed transaction within which to accept the opportunity presented therein. If the remaining Partner(s) accepts such opportunity, the transaction will be closed within thirty (30) days of that Partner's acceptance.

ARTICLE VII

**Dissolution or Termination of  
a Partner's Ownership Interest**

7.1 **Dissolution.** The Joint Venture shall continue until the occurrence of any of the following events:

- (i) The Partners unanimously agree in writing to terminate the Joint Venture;
- (ii) The FCC issues a final order refusing to approve this Agreement or the FCC issues a final order denying the application for the System;
- (iii) The bankruptcy of a Partner, as defined in Section 7.3 below;
- (iv) Any Partner dissolves the Joint Venture other than as permitted in this Section.

7.2 **Right to Continue.** If the Company is dissolved pursuant to Section 7.1(iv) or (v) above, the other Partners agree, in order to ensure uninterrupted service to the public, to continue to operate the System, in which event the Partner causing the dissolution shall sell its Ownership Interest to the continuing Partners pro rata for an amount equal to that part of the book value of the Company represented by such Ownership Interest (determined in accordance with generally accepted accounting principles).

7.3 **Bankruptcy of a Partner.** For the purpose of this Joint Venture Agreement, the "Bankruptcy of a Partner" shall be deemed to have occurred upon the happening of any of the following:

- (i) The filing of an application by such Partner for, or consent to, the appointment of a trustee over all or substantially all of its assets;
- (ii) The filing by such Partner of a voluntary petition in bankruptcy or the filing of a pleading in any court of record admitting in writing its inability to pay its debts as they become due;

- (iii) The making by such Partner of a general assignment for the benefit of creditors;
- (iv) The filing by such Partner of an answer admitting the material allegations of, or its consenting to, or defaulting in answering, a bankruptcy petition filed against it in any bankruptcy proceeding, or;
- (v) The entry of an order, judgment or decree by any court of competent jurisdiction adjudicating such Partner bankrupt or appointing a trustee over its assets, and such order, judgment, or decree continuing unstayed and in effect for a period of sixty (60) consecutive days.

**7.4 Material Breaches.** In the event that any Partner materially breaches any material covenant, representation or warranty hereunder which is not cured within thirty (30) days after written notice is provided to such Partner, then the breaching Partner shall sell its Ownership Interest to the other Partners, pro rata, for an amount equal to that part of the Company's book value (determined in accordance with generally accepted accounting principles) represented by the breaching Partner's Ownership Interest. In the event any non-breaching Partner(s) does not wish to purchase its pro rata portion, then any other non-breaching Partner may purchase such portion. Moreover, the non-breaching Partner(s) may by unanimous vote waive this requirement, but such waiver shall not relieve the breaching Partner of its liability for any and all losses, expenses, or other damages, if any, suffered or incurred by the Company as a result of the breach. If, subsequent to a Final Order, the FCC should make a determination that any Partner is unfit to be a system licensee, which determination is no longer under reconsideration, stay, or appeal and the time for seeking reconsideration, stay, or appeal has expired, that Partner shall dispose of its interest in the Company in accordance with Section 6.2 or in such manner as the FCC may approve or require.

**ARTICLE VIII**  
**Provisions Concerning Dissolution**  
**of Joint Venture or Default**

**8.1 Winding Up.** In the event of the dissolution of the Company for any reason, unless the Company is continued pursuant to Section 7.2, the Partners not causing

the dissolution shall proceed promptly and continue with reasonable expedition to wind up the affairs of and liquidate the Company. The Partners shall continue to share all items of income, gain, loss, deduction or credit for tax purposes and all profits and losses for accounting purposes during the period of liquidation in the same manner as before the dissolution. The Partners charged with winding up the affairs of the Joint Venture shall have full right and unlimited discretion to determine the time, manner, and terms of any sale or sales of property pursuant to such liquidation, and to establish reserve funds for contingent or unforeseen liabilities or obligations.

**8.2 Distribution Upon Liquidation.** After paying or providing for the payment of all debts and liabilities of the Company and all expenses of liquidation, and subject to the right specified in Section 8.1 of the Partner(s) to establish such reserves as they may deem reasonably necessary for any contingent or unforeseen liabilities or obligations of the Company, the proceeds of the liquidation and any other assets of the Partnership shall be distributed to the Partners in accordance with their respective capital accounts until the balances in such accounts have been reduced to zero and thereafter in accordance with their respective Ownership Interests.

**8.3 Statement of Liquidation.** Within a reasonable time following the completion of the liquidation of the Company, a statement (audited by the Company's independent public accountants) shall be submitted to each Partner which shall set forth the assets and liabilities of the Company as of the date of liquidation and each Partner's pro rata portion of the distribution pursuant to Section 8.2.

**8.4 Cancellation of Partnership.** Upon complete liquidation of the Company and the distribution of all assets, this Agreement shall terminate and each Partner shall have the authority to execute and record a certificate of cancellation of the Joint Venture as well as any and all of the documents required to effectuate the liquidation and termination thereof.

**8.5 Right to Set Off.** Any Partner in default under this Agreement or who dissolves the Joint Venture pursuant to Section 7.1(iv) or (v) or who is required to sell its Ownership Interest pursuant to Section 7.4, shall be liable to the Company for any



and all damages, losses and expenses suffered or incurred by the Company as a result of such default. The exercise by a non-defaulting Partner of the rights provided in Section 7.2 or 7.4 above shall not constitute a waiver by it or the Company of any right or remedy against the defaulting Partner arising from a default under this Agreement, including the right to set off any damages suffered against any amount owed to the defaulting Partner pursuant to Sections 7.2 and 7.4.

**ARTICLE IX**  
**Provision Concerning**  
**Buyout Option**

**9.1    Buyout of Telephone and Star**

(a) At any time after commencement of operation of the System, Telephone has the option to require Star to buy its Partnership Ownership Interest and Star has the option to require Telephone to buy its Partnership Ownership interest, provided that such a transaction will not render the Company ineligible to retain its FCC or any other required authorization for the System. Telephone or Star shall exercise its option by written notice to the other party. Within ten (10) days of receipt of notice, the other party can by written notice exercise its option, in which case the dispute shall be submitted to arbitration pursuant to Section 12.7. The closing of any sale under this section will take place within thirty (30) days of the date of the determination by appraisal of the purchase price and the receipt of FCC and any other required regulatory approvals. At the closing, the purchaser shall pay the seller twenty (20) percent of the purchase price. The purchaser shall pay the remaining eighty (80) percent of the purchase price in equal quarterly payments for a period of ten (10) years, plus interest paid quarterly at ten (10) percent per annum on the remaining unpaid principal amount. The purchaser shall give the seller a secured interest in the System as security for the remaining unpaid principal amount.

(b) The purchase price for the seller's Partnership Ownership Interest sold pursuant to this section shall be the Appraisal Value. Appraisal Value means the fair market value of the seller's Partnership Ownership Interest as determined by three appraisers. One appraiser shall be chosen by Telephone, one shall be chosen by Star, and the third shall be chosen by the appraisers selected by the parties. Selection of